THE POST-WAR PERIOD

There is a deficit of five and a half milliards left over from the years 1930/31, and of 1,100 millions arising from the first three months of the current year. In all, a deficit of six and a half milliard lei, which is entirely due to bad management.

To these budget deficits should be added some ten milliard lei, owing by the State to various local contractors and industries, the non-payment of which has caused an enormous prejudice to the internal economy of the country, since these enterprises, having all their liquid funds "frozen up," have been obliged to stop their activities and dismiss their staffs, thereby intensifying the crisis.

The legislation recently passed by the Government has also had a most unfortunate repercussion on the general situation. Thus the law sanctioning the cancellation of agrarian debts has resulted in the ruin of almost every bank in the country, for, with a few rare exceptions, all have directly or indirectly advanced money to agriculturists, who by this law, promulgated in April, 1932, are dispensed from their obligations to the extent of 50 %, while the remaining 50% is rendered recoverable within 30 years. No compensation whatever is granted by the State to the banks or to private individuals who had been unfortunate enough to have advanced money to the peasants, even on the security of a mortgage. The result is that almost every banking institution and thousands of people have been ruined at one stroke.

This measure has not met with the general approval even of the peasantry, for the most prosperous and enterprising among them, who naturally had placed their savings in the banks, have thereby lost their money, since all the rural banks have been rendered insolvent. The total cessation of all credit, which has naturally followed the suspension of banking operations in the rural districts, has caused immense loss to the farmers, who can no longer borrow money even for their most pressing needs. Another law, that of the so-styled "Liquidation Judiciaire," completes and intensifies the evils fostered by that of the "Concordat preventif," rendering all commercial debts practically irrecoverable without the condescension of the debtor. Such measures are

tions on a credit basis so hazardous that they have practically ceased, to the great discomfiture of Rumanian merchants, who have seen their activities completely paralysed.

As matters stand, a creditor is at the mercy of his debtor, and if the latter refuses to honour his engagements there is nothing to be done but to accept whatever compromise may be offered, for a recourse to tribunals would be tantamount to a total loss not only of the amount involved, but of the supplementary expenses arising from legal disbursements and inordinately high judicial taxes which unlucky creditors will have to defray.

What is singular is a tax imposed by the State on all bankruptcies to the amount of 20 per cent of the total assets declared, so that this explains, though it can hardly justify, the State's manifest indifference to the undermining of the country's commercial reputation through fraudulent bankruptcies, the frequency of which is positively alarming, for it derives corresponding advantages from this impost on bankruptcies. Instead of attempting to circumscribe this evil it would appear that the State has done much to encourage it, especially where foreigners are involved. Apparently it is actuated by the shortsighted view that the loss of the foreigner is to the benefit of the country in general, since through bankruptcies foreign capital is transferred to its own nationals. At any rate, bankruptcies have been regarded as a means of raising revenue, and the State as a privileged party has always secured its 20 per cent impost plus other legal taxes, and the debtor has usually managed to alienate a good part of his assets so as to safeguard himself in a very satisfactory manner, while the wretched creditor not only gets nothing but usually finds he is being called upon to make further disbursements on account of legal formalities involved. The *Argus* of June 15th and 16th, 1931, commenting on the law of the "Concordat préventif," qualified it as disastrous, and added: "Among the principal obstacles which prevent the development and normalization of our commerce this law stands in the front rank. . . . it has given free rein to the unscrupulous debtor, permitting him to carry out his underhand manœuvres without any risks, to sell the goods he bought with-

out paying for them, spoliating thereby his creditor and underselling and ruining the honest trader."

The paper advocated a revision of the law and demanded that debtors should be obliged to make a composition on the basis of the ratio existing between the assets and the liabilities, or with a variation of only 10 or 20 per cent of this proportion. As matters now stand a dishonourable merchant is entitled to file a demand for a "Concordat préventif" though his assets may far exceed his liabilities. He is then allowed to pay 40 or 60 per cent of his debts, and after they have been thereby considerably reduced is even accorded a delay of several years to pay them off. With such facilities at hand the majority of merchants did not scruple to avail themselves of the opportunity of repudiating their engagements and so getting rich quickly. The consequence is that commerce has been completely dislocated through the complete suppression of credit which naturally followed. The Under-Secretary of Justice in the Iorga-Argentoianu Government, M. N. Lenguceanu, overtly admitted in the *Neamul Romanesc*, September 5th, 1930, that the above-mentioned law "had permitted merchants, 98 per cent of whom were foreigners, overtly to despoil their creditors." Another very serious defect from which Rumanian legislation suffers is the tendency to enact laws with retroactive effect, which permits the invalidation of contracts, thus creating a state of instability that affects most adversely all commercial and financial operations. For how can foreign investors risk their capital in a country where uncertainty and instability have become its distinguishing features?

Senator Marino, on February 26th, 1932, deplored the disrespect shown for contracts, criticized the State for various measures passed undermining confidence, among which was the moratorium of 1919–1920 by which foreigners had lost some 7 milliard lei, and demanded the granting of serious guarantees which would instil confidence once more. Similar pronouncements by public men abound, for the serious consequence of the present policy are obvious to all.

Professor Flinders Petrie once stated (*Contemporary Re-*

000 moval of this stigma on Rumania's honour, but also more weighty considerations concerning her very national existence. In the long run no community, however impervious to contamination, can survive with a stinking cesspool in its midst.

426 The late Minister of Justice, M. Hamangiu, in June, 1931, addressed a circular to the judges reprimanding them for their remissness, and calling upon them to supervise more strictly the carrying out of the law in the case of abuses committed by dishonest merchants and manufacturers. His rescript contained the following passage: "The lack of sanctions against defaulters threatens the security of the country's credit. The gravest infractions are committed in bankruptcy cases. So far the magistracy has been too lenient; this becomes obvious from bankruptcy statistics of the last four years, the returns of which amount to thousands of millions of lei, and compositions are concluded on the basis of payment to the extent of 3 per cent to 8 per cent. What is particularly staggering is the excessive indulgence shown in the repression of penal offences in cases of simple or fraudulent bankruptcy. . . ." The Minister concluded by stating that this could no longer be tolerated, and gave instructions for restricting these abuses.

686 The opportuneness of radical reform in judicial methods
696 is more than urgent since an unscrupulous debtor by force of chicanery is allowed to postpone the hearing of his case by the courts for years, during which time he not only has every opportunity of alienating his assets by overtly transferring them to relatives and friends, but what is most revolting, he has often the possibility by dexterous manipulation of subordinate officials, of making away with the most incriminating documents which his unsuspecting adversary has submitted to the Court for its enlightenment.

000 The late M. Hamangiu, whose untimely death all friends of Rumania must deplore, was a bosom friend of Prof. Iorga and as such fully recognized the imperative necessity of maintaining a high standard of justice in the country. In this respect he undoubtedly shared the opinion of one of our distinguished historians, Mr. Ramsay Muir, that "in the Western view no people can be called fully civilized until

there is widely diffused among its members the sense of their obligations, not merely to obey the law but to obey it willingly and to co-operate in enforcing and maintaining it. Because the law embodies the common conscience and also the common interest" (*v.* 'Nationalism and Internationalism.')

What hope there may have been for an improvement in this respect has at least for the present vanished with M. Hamangiu's decease, for his successor was nominated mainly with the object of placating public feeling in Transylvania, which region did not possess a single representative in the Iorga-Argentoianu Cabinet. The selection, however, of M. Valer Pop let loose a storm of indignation in independent Transylvanian circles, so that one may take it for granted that he was not the appropriate person for this high post. As the *Patria*, a newspaper of Cluj, wrote in January, 1932, "The men who have recently entered the Government do not represent even a part of the population, nor even a petty clan; they do not even form a part of the *élite* of their profession. . . ." At any rate, he has so far not manifested any inclination to follow the commendable initiative of his predecessor in office. On the contrary, he is responsible for the so-styled law of "judicial liquidation," which intensifies all the evils contained in the law of the "Concordat préventif" which it supplants. In fact this law prolongs indefinitely the liquidation of all ramshackle enterprises which were bound to go bankrupt, and puts off the reimbursement of creditors for an indefinite period without any guarantee whatever for them. The *Argus* of April 24th, 1932, commenting on this, wrote as follows: "Serious commercial circles consider this law as a new, corrected, and aggravated edition of the "Concordat préventif," a direct invitation addressed to traders in general not to pay. Immediately upon the promulgation of the latter law one witnessed a steeplechase of merchants taking advantage of it in order to escape the rigours of the bankruptcy law. We shall now witness the same mass-rush of those who do not wish to pay and who desire to avail themselves of this new law so that they may escape the opprobrium of bankruptcy and the loss of civil rights. . . ." Naturally these laws, which annul formal engagements, have

gradually imbued people with the conviction that engagements and promises need not be considered seriously, and that on the contrary, elusion of obligations is a mundane affair and a fashionable art which should be cultivated assiduously. As a result, not only debtors always find means to avoid paying, but taxpayers also use every possible stratagem to avoid payment of taxes. There are huge arrears of taxes that remain uncollected, every imaginable trick being resorted to by taxpayers in order to escape from their monetary obligations to the State. The present tremendous falling off in the revenue should mainly be ascribed to this reason, as well as to the venality of the tax-collectors, whose leniency is secured by a slight gratification whenever they tend to become over sedulous in the execution of their duties. M. N. Petrascu, a fashionable speaker, while delivering an address at the Rumanian Social Institute in Bucarest on May 18th, 1932, asserted, "we should explain the non-realization of the budgetary revenue forecasts by the fact that our civic consciousness is not sufficiently developed to allow us to understand that by paying our taxes we fulfil an elementary duty; this is also the reason why fiscal frauds have attained extraordinary and unimaginable proportions. . . ."

The utter disregard of contracts and formal engagements can hardly be better illustrated than by the attitude of the State Railways administration in rescinding contracts with metallurgical establishments at Arad, Braila, and Reşiţa, contracts on the basis of which these very workshops were built. Another flagrant case of repudiation of solemn promises by an official organization is that of the municipality of Cluj which, after confirming a contract with the society "Electrobel" for a duration of fifty years, and after the Brussels firm had carried out 80 per cent of the work it had undertaken to perform, was requested by the municipality, hardly one year after signature of contract, to alter its provisions which had received the royal assent and had been unanimously approved and passed by the municipal council. The municipality brazenly demanded a reduction in the time period of the concession originally granted, namely from 50 years to 15, an increase in the royalty payable to the municipality from 3 per cent to 6 per cent, and

the right of the municipality to demand a revision of the price of the electric current supplied by the "Electrobel" whenever and as often as the municipality might think fit!

The "Electrobel" had completed the work contracted for to the extent of 80 per cent and had sunk millions in the undertaking in hand. Naturally it had made its calculations for a return on its capital on the terms of the original contract. If the clauses of the latter are to be so radically and arbitrarily altered it is bound to incur a huge loss. Such treatment meted out to the foreign capitalist has had the result of frightening him away for good, though his aid would have proved of inestimable value in helping Rumania to-day to surmount the difficulties with which she is confronted.

Owners of real property have also been very unjustly hit by a law promulgated in February, 1932, decreeing that all rents should be reduced by 25 per cent to 30 per cent, all existing contracts being rendered void. Most owners were already in a precarious situation, for they had built with borrowed money, and the recent drop in rents made it impossible for them to meet their engagements and pay off their mortgages, and as a consequence of this an immense number of buildings were being sold up for default, as the *Adeverul* for January 21st, 1932 records. This law, therefore, will complete the ruin of another class of the urban population, and will impress on the minds of all intending investors that it is as risky a proceeding to invest one's money in Rumania as in Soviet Russia. Various municipalities are doing their best to attract unwary investors by holding out to them the most alluring prospectuses and dazzling promises, and it would be well to sound a note of warning so that no more British capital be enticed into Rumanian enterprises, which have proved a veritable bottomless pit.

The writer also committed the folly of relying on the relative immutability of the law, as is customary in other European countries, and leased a certain site in a fashionable Rumanian resort for the purpose of constructing certain dwellings and letting them, all buildings to revert to the original owner of the site after the expiration of a ten-year period. The law reducing rents forces down the revenue by

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426 675 .427 25 to 30 per cent, but on the other hand, no corresponding increase in the time limit of the lease can be secured, and there is no authority to which one may appeal. Besides, how can one possibly expect to receive more favourable treatment than the banks, which have been ruined by the enforcement of the law cancelling agrarian debts. What is truly surprising is that the Government had been seriously considering the passing of yet another law, cancelling all private urban debts, which, after all, would only have been the natural complement of the agrarian prototype, but this it was prevented from doing by the French financial experts! Rumanian politicians seem to be grievously deficient in the conception of what constitutes right, for otherwise it is impossible to explain the enactment of laws which not only undermine the very foundations of credit but also of property. That this 693 is so may also be inferred from the not very high standing of the judicial administration, which, if the scandals of 1926 be recollected, certainly needs to be overhauled. The then Government of General Averescu, under pressure of an outraged public at the scandalous venality of some judges, was obliged to dismiss several magistrates, including the President of the Bucharest Court, on account of "acts which were found incompatible with the dignity of magistrates," to quote the *Argus* of October 30th and the *Cuvantul* of October 23rd, 1926. Nor can one pass in silence the undignified attitude of the highest magistrate in Rumania, the then President of the highest Court of Appeal, who, setting at naught the findings of the Court, attempted by all imaginable subterfuges and chicanery to evade its verdict, which was unfavourable to him. (See an article headed "When you apply the law, and when it is applied to you" in the *Cuvantul*, October 6th, 1926). . . .

000 Professor Henry Sedgwick, in his "Elements of Politics," opines that "in determining a nation's rank in political civilization no test is more decisive than the degree in which justice, as defined by law, is actually realized in its judicial administration." Judged by this criterion, Rumania must indeed stand very low in the scale of nations, for the law is sadly deficient, as is woefully admitted even by Rumanians themselves. The *Adeverul* of March 3rd, 1932 wrote: "By

maritime and fluvial shipping companies, the docks, ports, warehouses, and grain elevators of Braila, Galatz, and Constantsa.

Laws were drafted aiming at the commercialization and exploitation, either independently or in co-operation with the State, of these State-owned properties, as well as of other national resources. But the purpose which actuated the entire economic legislation enacted by the Bratianu Governments was that of preventing foreign capital from acquiring a dominant position in the country. This policy of restraining the activities of foreign capital by legal restrictions was not due to the fact that Rumania might be imperilled by foreign capital securing a preponderating influence, but mainly because the Bratianu party aimed at reserving for themselves the monopoly of such profits as could be made through the exploitation of the national resources. The direct result of this policy was to sink whatever Rumanian capital existed in big enterprises, while agriculture was entirely neglected, and to deplete completely the liquid assets of the country to such an extent that its credit organization was dislocated.

It is sad to record that during the years when there was a plethora of capital seeking investment which could have been easily attracted to Rumania with the object of endowing her with an adequate equipment for the development of her immense resources, such narrow and selfish views should have prevailed among her rulers. Indeed, had the opposite policy been adopted it would have secured prosperity to her even during the lean years which are now upon us. Foreign capital naturally fought shy, and refused to be enticed into enterprises in which it was not allowed to exercise legitimate control, which in many instances would have proved both salutary and indispensable. Rumania's natural wealth certainly provides a basis for industrial activity, there is an abundance of raw material, fuel, as well as a supply of cheap labour, but there is a serious deficiency of capital, which is reflected by the high rates of interest prevalent. Commercial bills were discounted at rates varying between 18 per cent and 30 per cent, and first mortgages were concluded on the basis of an average interest of 20 per

cent. It can easily be understood that no enterprises could possibly bear the burden of such interests, and that if foreign capital was to be excluded it would be necessary to have recourse to artificial encouragements in order to create and foster the industries it was contemplated to set up. Protection in its extremest form, therefore, was resorted to, and a tariff wall, the highest in Europe, was erected to protect the budding of these hot-house industries. In order to start a new industry the theoretical case for Protection is admittedly strong. Temporarily the new industry needs help, and eventually the country as a whole may gain from its creation, though in the meantime it has to bear the burden. The immediate effect is to increase the costs of the various articles produced locally to an extent that places them beyond the reach of a poor community such as the rural population of Rumania. The repercussion of an increase in the costs of articles required by the agrarian population naturally causes a rise in the costs of production of agricultural produce, which renders less easy its marketing in neutral markets in which the Rumanian peasant can neither enjoy nor demand the favour of a protective duty. So that eventually protection has proved an arm which has turned against him. In the case of Rumania, most of the industries which have been created proved to be clearly detrimental to the State. Certainly the textile industries, which import the totality of their raw material in the form of yarn from abroad, confer no benefit except to their proprietors. The raw material is usually allowed free admission, or pays a very light duty, while the finished article is sold at a price corresponding to that of a similar foreign product on which a duty amounting to as much as 300 per cent is occasionally imposed. Almost the whole of the difference is pocketed by the manufacturer, and the native purchaser gets no benefit whatever. On the contrary, he usually gets an inferior home-made article at almost the same price as he would pay for a foreign one generally of better quality. In this arrangement the State is deprived of a very important source of revenue since it desists from collecting the tariff dues it would otherwise have received if, instead of raw materials imported free, foreign dutiable manufactured articles had been imported.

owing to the natural increase of her population, will in a couple of years have no more wheat available for export, and in ten or twelve years it will be the same with maize. It is imperative, therefore, for the Government to take without delay the steps necessary to increase the yield. This can only be done if the State will undertake to provide selected seed corn, to establish rural banks to enable the peasantry to obtain advances of funds at cheap rates in order to buy machinery and implements, and to create model farms in which more modern methods of cultivation might be demonstrated practically. If grain elevators were also constructed in important agricultural centres, and adequate storage accommodation made available, it would be easy to advance money to farmers on the security of the cereals they could store as a pledge. And if Rumania decided to return to methods of legality and offer safeguards to foreign capital there would be no difficulty whatever in obtaining all the capital she requires for financing such operations, as they would then prove perfectly sound. It is this utter lack of capital which has handicapped the development of agriculture since the war, for the smallholder had to pay usurious rates of interest (40 to 60 per cent being current), while prior to the war large owners could obtain advances from the banks on very reasonable terms. It would be altogether unjustifiable, therefore, to assert, as some people allege, that the breaking up of the large estates had led to the decline of agriculture. On the contrary, it is this measure which has permitted agriculture to survive, for owing to the systematic diversion of capital from agriculture to industry, the owners of the large estates would have found themselves in a worse fix than the smallholders if they had continued to exist and therefore required advances for the maintenance of their estates, as was formerly their wont. Without liquid assets they would have found themselves utterly unable to carry on the cultivation of those large estates, while the smallholder, by dint of hard work and privation, has managed to keep his patch of land under the plough. Some persons may retort that, if the breaking up of the large estates had proved to be a practical operation, the rural population would not have run into debt to the extent of

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some 80 milliard lei, and obliged the Government to pass the law decreeing the conversion of agrarian debts, in order to save the peasantry from the predicament of being dispossessed of their land by their creditors. The large owners, however, were in as bad a plight and perhaps worse off, for when the legislation concerning the cancellation of agrarian debts was under discussion in the Chamber, the director of the *Argus* suggested that Ministers and deputies should be excluded from being among the beneficiaries of the proposed law, so that they should not be accused later of having passed such a revolutionary measure mainly for self-interested motives. His suggestion was not supported, a fact which would tend to prove that large owners were perhaps more insistent on the adoption of this measure than smallholders, to many of whom it has proved highly prejudicial.

That the agrarian revolution did not solely profit the peasantry, and that others took advantage of it to appropriate lands to which they had no right, and that the latter were more insistent on the voting of the law for the conversion of agrarian debts, is an undisputed fact. This is proved also by an interview published by the *Adeverul* on September 9th, 1930, in which Prof. Iorga was reported to have said: "When the expropriation of the large estates was carried out many mistakes and injustices were committed. Real cultivators were not endowed with land in order that in their place land should be bestowed on various political partisans, electoral agents, and others who had nothing in common with the land or agriculture. Having thus secured the land, they set about to increase their holdings by buying up with borrowed money adjoining tracks, and started exploiting them on American methods. But their calculations were erroneous, because with us agriculture is not profitable except for the owner who himself cultivates his land. This category of landowners should not be assimilated with the peasantry, and the State should not assume charge of their debts." This wise recommendation, however, was not followed, and large owners were permitted to a certain extent to take advantage of the law of conversion of agrarian debts.

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That it was absolutely indispensable to extend some help to the peasantry no one will dispute, but this law of con-

version of agrarian debts will probably do more harm than good in the long run, not only because it has undermined confidence and ruined the banks, but also on account of the adverse effects it will have on agriculture itself, for it brings no relief to the peasant in the way of obtaining the credit facilities he needs, but on the contrary it renders borrowing now almost impossible. Prior to the promulgation of this law both banking institutions and private persons who had lent money to peasants were ready to help them, if by so doing they could recover part of their debts; there was a certain sense of solidarity between creditor and debtor; now, however, that the law has arbitrarily stepped in between them and settled their relations, practically ruining the creditors, the latter have no longer the means nor any interest to assist their debtors. Another disastrous outcome of the law is the loss of all the savings which the more industrious among the peasantry may have had, and which naturally were placed in the keeping of the rural banks now rendered insolvent. It is calculated that these sums amount to some 6 milliard lei. This law, therefore, instead of encouraging the more progressive peasants, has ruined them and reduced them to the level of the more indolent. Another drawback in this law is that it subjects all land, the owners of which take advantage of its clauses, to a certain legal servitude for 30 years, precluding the owners from mortgaging it and contracting loans, although the securing of fresh credit constitutes their most pressing need. It may be taken for granted that, in consequence of this law, the area sown will be considerably less in extent this year, owing to the impossibility for the peasants to obtain timely advances for cultivating their fields, and also to the discouragement of the most enterprising among them, who lost their capital through the failure of the banks.

This law, if not repealed, will be yet another obstacle to the creation of a rural mortgage bank, of which the country is in such dire need, for peasants taking advantage of the conversion law cannot mortgage their holdings. The necessary preliminary for the normal working of such an institution would be the creation of cadastral registration, which is non-existent in the country. If the Rumanian Government

241 really intended to revert to a régime of legality and to the
• 426 granting of adequate security to foreign capital, there would
453 be hardly any difficulties in its obtaining the necessary aid from abroad in order to permit the establishment of such an institution, and in order to save time it would be politic on its part if without further delay it took the requisite steps to prepare a cadastral register or ground-book. Such measures of self-aid would prove more efficacious than the solicitation at international conferences of preferential rates for Rumanian agricultural produce. For they would help to convince foreign investors that Rumania had at last decided to put her house in order, a decision which, if seriously taken, would probably cause foreign capital to come to her aid and bring to her corresponding or equal advantages to those she would derive from the obtaining of the preferential rates for which she is now craving as a favour from industrial States. There are no insuperable obstacles to the salving of Rumanian agriculture. All that is needed is cheap credit and the lowering of the cost of industrial products used by
241 the peasantry. These *desiderata* may be secured whenever
461 the Government decides to change its methods and adopt as its guiding principles honesty, retrenchment, and austerity. After all, the peasants have done more than their share, and no greater effort can be demanded of them. One who has witnessed the long heartbreak of endless and often unrequited labour that has been their lot, and the fortitude with which they have faced the apathy the State has so far shown towards them, can have no doubts as to the response a little encouragement would evoke from them. Without decent seed grain, and with the most primitive implements, it was but natural that the yield per hectare should decrease. Nevertheless, the steady although small increase of the area under cultivation is a convincing proof that the peasants have never stinted their labour and that they are determined to persist to the extreme limits of human endurance in their efforts to wrest a bare subsistence from the soil. The following table will be found to confirm fully what has been stated
241 above, namely, that while the area cultivated has been
433 maintained, the yield per hectare is on the whole diminishing:

453 tious appellation of "bank," which they bestowed on themselves, for they are mere money-lending firms of very dubious standing. There are only about 12 firms that may be called banks, and these hold between them about one-quarter of the aggregate banking capital. The offices of all these firms is at Bucarest, except that of the Banca Comerţului, which is at Craiova. Besides these private banks there were 4,757 popular banks, with a capital of 7,248 million lei, in operation at the end of 1929. These banks operate mainly in rural districts and are of great help to the peasants, to whom they provide funds and also offer a method for the investment of their savings. They are run on co-operative lines and counted a membership of 1,003,082, the great majority being agriculturalists. The depositors at these banks numbered some 478,315, with a total amount on deposit of 1,417 million lei, while the paid-up capital was 1,801 millions.

● 452 453 The recent law decreeing the conversion of agrarian debts will completely paralyze the activities of all banks in Rumania, and will work inestimable harm to the peasantry, as credit will be entirely disorganized. The passing of the law caused consternation, and most banks decided to go into liquidation. According to the reports published in the Press of a meeting held at Cluj on May 8th, 1932, at which were present delegates from all the Rumanian banks of Transylvania, it was considered that this was the only course left open to them. It was stated that these banks had a capital of 1,200 millions and deposits amounting to 3,000 millions, so that the law of conversion extinguished at one stroke all the capital of the banks and immobilized for 30 years half of the deposits they had received. The representative of the banks of Cluj stated that "such a stunning blow has not been experienced since the Rumanian banks of Transylvania were founded some sixty years ago. Many cherish the illusion that it is yet possible for the banks to survive. My opinion is that no banking institution in Transylvania will henceforth be able to function. Within three months we shall see the disastrous effects of the law; there is nothing left but to liquidate." The extent to which the banks will be affected can be realized if it be noted that the estimated

amount owed by agriculturalists is some 80 milliard lei. So 426
that even if only half of them availed themselves of the law, 463
this would mean an immediate wiping out of about 20 milliards of capital and the immobilization of another 20 milliards for a period of 30 years. On this half of their debt agriculturists will be paying 4 per cent interest, while the banks which have borrowed the sums they had advanced to the peasants are paying 7 to 10 per cent interest. When it is considered that the total capital and reserves of private banks in Rumania hardly reaches 15 milliards, one can realize what a staggering blow this law will be to the economic life of the country. It is true that over four milliards worth of bills belonging to agriculturalists have been rediscounted by the National Bank of Rumania, and that the State has undertaken to indemnify this bank for the loss it will sustain on this head, yet the balance of the loss caused by this astounding law is so formidable that one wonders how the private banks are to survive the blow. One may also question the capacity of the State to find adequate means wherewith to indemnify the National Bank for its losses, seeing that its own plight is so hopeless that its own officials have been left unpaid for months.

It may be apposite to record the opinion of the members 426
of the legal profession in Transylvania and the Banat concerning this law, which is likely to ruin all the banks in the country. Members of this profession met at Cluj on June 5th, 1932, and passed a resolution in which it was affirmed: "That this law, which permits the confiscation of property and annuls acquired rights, is unconstitutional. That it is contrary to the established principles of thousands of years and overthrows the legal order on which the present social order is established. That in consequence this meeting moves that this law should be abrogated and replaced by another, which, while solving the problem of agrarian debts, should be in conformity with the constitution and with the established principles of justice. . . ."

Even before the passage of the law of conversion of 453
agrarian debts most of the banks were in a precarious condition, owing to the fact that they had sunk a large fraction of their assets in industrial undertakings which, at the